

**[ DOE DEPARTMENT CIRCULAR NO. 2002-10-006,  
October 25, 2002 ]**

**PROVIDING ADMINISTRATIVE PENALTIES FOR VIOLATION OF  
CERTAIN PROVISIONS OF DEPARTMENT CIRCULAR NO. 98-03-  
004, AS AMENDED BY DEPARTMENT CIRCULAR NO. 2001-05-002  
IN CONNECTION WITH THE INITIAL PUBLIC OFFERING (IPO) OF  
COMMON STOCK OF ANY PERSON OR ENTITY ENGAGED IN THE  
OIL REFINERY BUSINESS**

WHEREAS, Section 1, Article XII of the Constitution provides that private enterprises, including corporations, cooperatives and similar collective organizations, shall be encouraged to broaden the base of their ownership;

WHEREAS, Section 22 of R.A. 8479 ("Downstream Oil Industry Deregulation Act of 1998") has required that "any person or entity engaged in the oil refinery business shall make a public offering through the stock exchange of at least ten percent (10%) of its common stock within a period of three (3) years from the effectivity of this Act or the commencement of its refinery operations", except that any company which has made the requisite public offering before the effectivity of the Act shall be exempt from such requirement;

WHEREAS, said mandate under Section 22 of R.A. 8479 is reiterated under Section 25 of Department Circular No. 98-03-004, dated 11 March 1998, as amended by Department Circular No. 2001-05-002, dated 08 May 2001 which provides for the Rules and Regulations implementing R.A. 8479;

WHEREAS, Department of Justice (DOJ) Opinion No. 6, s. 2001, dated 12 February 2001 reiterated the conclusion that the intention of the law is to broaden the base of ownership of oil companies and that the three-year period fixed therein should be construed liberally, hence, the initial public offering (IPO) could still be conducted after the lapse of the said three-year period;

WHEREAS, to ensure the implementation of said IPO, within the context of the intention of the Downstream Oil Industry Deregulation Act of 1998, there is a need to clarify when sanctions are to be applied in case of violations of the requirements of Section 25 of Department Circular No. 98-03-004, as amended by Department Circular No. 2001-05-002;

NOW, THEREFORE, the following supplemental rules are hereby promulgated:

*SECTION 1.* Section 25-A c. of Department Circular No. 98-03-004, as amended by Department Circular No. 2001-05-002 is hereby further amended to read as follows:

"c. Power of DOE to Direct Conduct of IPO — Should the Secretary of Energy determine that the socio-economic,